

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Lawrence	County Van Buren
Fiscal Year End 02/28/07	Opinion Date September 21, 2007	Date Audit Report Submitted to State September 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Seber Tans, PLC		Telephone Number 269-343-8180	
Street Address 555 W. Crosstown Pky., Ste. 304		City Kalamazoo	State MI
		Zip 49008	
Authorizing CPA Signature <i>Matthew A Howard, CPA</i>		Printed Name Matthew Howard	License Number 1101013253

**VILLAGE OF LAWRENCE, MICHIGAN**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**For the Year Ended February 28, 2007**

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# SEBER TANS, PLC

## CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Lawrence, Michigan


We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Lawrence, Michigan (the Village) as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Lawrence, Michigan as of February 28, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2007 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2-5 and 30-35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
Seber Tans, PLC  
Kalamazoo, Michigan

September 21, 2007



Village of Lawrence  
157 N. Paw Paw  
P.O. Box 217  
Lawrence, Michigan 49064

## Management's Discussion and Analysis

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the Village as a whole as well as providing a view of the Village's longer-term finances. Fund financial statements show how services were financed in the short term and also show what remains for future spending.

### The Village as a Whole

The Village's combined net assets showed a slight improvement during the 2006/2007 fiscal year. Factors contributing to this slight improvement are found generally within the governmental activities of the Village. The table below shows a summary of the net assets at February 28:

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current assets	\$ 565,296	\$ 581,204	\$ 919,866	\$ 1,071,426	\$ 1,485,162	\$ 1,652,630
Capital assets	452,983	353,330	2,839,061	2,911,067	3,292,044	3,264,397
Total assets	1,018,279	934,534	3,758,927	3,982,493	4,777,206	4,917,027
Current liabilities	69,043	47,090	41,808	307,522	110,851	354,612
Noncurrent liabilities	---	4,886	1,255,533	1,214,000	1,255,533	1,218,886
Total liabilities	69,043	51,976	1,297,341	1,521,522	1,366,384	1,573,498
Net assets:						
Invested in capital assets, net of related debt	452,983	353,330	1,625,061	1,672,067	2,078,044	2,025,397
Restricted	82,068	126,328	---	---	82,068	126,328
Unreserved	414,185	402,900	836,525	788,904	1,250,710	1,191,804
Total net assets	\$ 949,236	\$ 882,558	\$ 2,461,586	\$ 2,460,971	\$ 3,410,822	\$ 3,343,529

In 2005 the Village hired its first Village Administrator to oversee the day to day operations of the Village. Fiscal benefits have included regular monitoring of expenses, enhanced control of both income and expenses and greatly improved investment of Village surplus funds. Other benefits include improving supervision of general operations within the Village, improving grant opportunities, improving collaboration with other municipal officials, increasing growth potential for the area, and providing a positive communication channel for Village elected officials. The addition of this position has proven to be not only cost effective, but has allowed the elected officials to focus on policy and future growth for the Village.

In June of 2006 the long time office clerk retired and in August a new clerk was hired. The transition has been a challenge for many reasons. The primary activities have been general computerization of operations, establishment of work processes and records management. This year's focus has been clean-up of water/sewer billing and financial records as well as establishing new work processes for both. As a result, the generation of reports needed to complete the 2006-2007 audit have been cumbersome and extremely time consuming. Going forward, we anticipate that the past year's efforts will benefit the Village in increased efficiencies regarding these critical record keeping activities.

## The Village's Funds

Municipal funding requires income and expenses to be divided into five specific purpose Funds. These funds are: General Fund, Water Fund, Waste Water Fund, Major Street Fund and Local Street Fund.

The General Fund pays for the majority of operating expenses including administration, local police department operation (including salaries), general labor for areas of general fund activity, maintenance of the parks, building maintenance, DPW equipment purchase and maintenance, sidewalk maintenance, refuse disposal, office equipment purchase and maintenance, holiday decorations, elections, zoning administration, etc. The General Fund also covers expenses from other Fund balances when required. Monitoring and improved investment of Village General Fund CDs has increased income by 2.3% in this area alone.

The Water Fund pays for both minor and major repairs of the Village's water system as well as general maintenance of the system including administration, labor costs, spare parts inventory, electrical usage by the well pumps, security for the system, chemicals used in the treatment process, laboratory costs associated with DEQ requirements, etc. The Water Fund pays the General Fund for equipment use through a rental based program; the rental use fees help pay for equipment purchased using funds from the General Fund.

The Waste Water Fund pays for both minor and major repairs of the Village's Waste Water system as well as general maintenance of the system including labor costs, spare parts inventory, electrical usage by the four lift stations, security for the system, chemicals used in the system, laboratory costs of discharging Waste Water associated with DEQ requirements, etc. The Waste Water Fund also pays the General Fund for equipment use based on a rental program to help pay for required equipment originally purchased using funds from the General Fund.

The Waste Water Fund is also required to pay back the Van Buren County Revolving Loan Fund for a low interest loan acquired to construct the Waste Water lagoon system currently in use.

The Major Street Fund pays for minor and major repairs of all streets classified as part of the Major Street System including storm drainage systems, administration, tree trimming and planting programs, etc. The Village receives funds monthly from the State of Michigan through the Act-51 funding system which is calculated by the state on a footage basis. The Major Street Fund also pays the General Fund for equipment use based on a rental program to help pay for required equipment originally purchased using funds from the General Fund.

The Local Street Fund pays for minor and major repairs of all streets classified as part of the Local Street System including storm drainage systems, administration, tree trimming and planting programs, etc. The Village receives funds monthly from the State of Michigan through the Act-51 funding system which is calculated by the state on a footage basis. The Local Street Fund also pays the General Fund for equipment use based on a rental program to help pay for required equipment originally purchased using funds from the General Fund.

## Governmental Activities

A conservative estimate of budget revenues was made in light of possible cutbacks in State Revenue Sharing and Act-51 funds. Actual revenues were approximately 5.3% higher than originally budgeted at the beginning of FY 2006/2007.

- a) The Local Development Funding Authority (LDFA) paid the Village approximately \$4,000 in 2006/2007 which finalizes the repayment of the total amount due to the Village for associated costs to build the Lawrence Crandall Business Centre.
- b) Additional revenue was realized due to reinvesting mature CDs into higher yielding interest rate opportunities. These CDs were invested using a staggered maturity date sequence for future investment options.
- c) The Village completed the replacement of the Brush Creek Bridge in 2006. Funding was provided by the Michigan Department of Transportation (MDOT) Critical Bridge Fund. This bridge is located on East St. Joseph Street. The final cost for the replacement project was approximately \$806,000. The (MDOT) Critical Bridge Fund covered 95% of the construction costs. Funding from the Van Buren County Task Force Tea-21 program and the Village's Major Street Fund covered the balance of the cost.

- d) The Village continued supporting work completed by the Downtown Development Authority (DDA) to improve aesthetics in the district through grant programs for district residents and businesses financed through taxes captured within the district.
- e) The Village has also worked diligently with the LDFA to enhance growth within the Business Centre which will increase both Village tax base and local job opportunities for residents. The plans for an additional water tower in the Business Centre were started and funds for the project, in the form of grants, were secured from the Michigan Economic Development Corporation and the Van Buren County Economic Development Corporation.
- f) The Village initiated long-term planning workshops with representation from the Village Council and committees, the LDFA and DDA, Township officials and committee heads and the Lawrence Area Business Association. This joint activity continues with the goals of Master Plan strategy implementation and area economic growth.
- g) The Village reorganized their committee structure by combining some existing committees and creating another. Administrative Committee is composed of activities from Personnel and Finance, Public Services from Police and DPW, Planning Commission remains the same and the Economic Development Committee (LEDC) was formed to address growth and development strategies.
- h) As shown on the accompanying statement of activities, the Village received program revenue of approximately \$7,600 for governmental activities, and approximately \$2,300 was received by the component units. Total expenses of \$439,800 and \$2,661 for governmental activities and the component units respectively. General revenues totaled approximately \$498,851 and \$25,095 for governmental activities and the component units respectively.

#### Business-Type Activities

The Village's business-type activity consists of the Water and Waste Water Funds. We provide Water and Waste Water services to 100% of the Village residents (approximately 400 customers). We also provide Water and Waste Water services to a few residents living outside the Village limits who are Lawrence Township residents. The customers living in the Township receiving services pay a rate of 1-1/2 times the rate of a Village resident. The Van Buren Intermediate School System, located within the Village limits, is currently the largest user of the two systems.

- a) Combined revenues from the sale of Water and Sanitary Sewer were 19.3% higher than initially budgeted. This can be attributed to resident and business's using more water and sanitary sewer services.
- b) Substantial increases were realized from interest gained on investment of Water and Sanitary Sewer CDs into higher interest bearing accounts when they matured. They were also invested with staggered maturity dates which will allow for increased investment opportunities in the future.
- c) An increase in equipment rental came because of appropriate allocation of the Caterpillar Loader/Backhoe which is owned by the Water Fund.
- d) Positive Fund Balance in the Water and Sanitary Sewer Funds was achieved by lower maintenance costs as well as operating expenses.

#### Restrictions on Funds

No restrictions on funds have been imposed by the Village; any restrictions or other limitations come at the direction of the State and Federal Governments. The Brush Creek Bridge Project and our well #4 Project both involving grant funds remained open at the end of FY 2006/2007. The United States Department of Agriculture (USDA) Loan to the Water Fund was not closed out as of the end of FY 2006/2007.

#### Significant Budget Variances

Variances between the original budget and final budget greater than \$10,000 FY 2006/2007 included:

- a) Amendments to the General Fund included increased expenses for repairs and routine maintenance of equipment which exclude labor expenses. Additionally the Village purchased a used plow/salt truck from the Van Buren County Road Commission. Anticipated transfers of operating funds from the General Fund to the Street Funds were not needed.

- b) The Local Street Fund received less revenue due to lower income from taxes, both Real and Personal Property due to the fact several homes were removed from the tax roll because they were purchased by non taxable entities. Additionally, revenue from the State Act-51 allotments were slightly lower then anticipated for the timeframe. Interest income improved slightly due to increase in interest rates on investments for the Fund. Expenses were reduced by approximately 3.0% due to lower routine maintenance costs.
- c) The Water Fund was amended to reflect a revenue increase by 15.4% which is attributed to residents increased water usage; expenses were slightly less by 58.1% due to increased depreciation within the system and substantial savings in equipment rental, labor, electric utilities, and membership dues.
- d) The Waste Water Fund was amended to reflect an estimated increase in revenue by 3.8%; expenditures were estimated to decrease by 31.0% due to lower telephone, operating supply, electric utility, equipment rental, and maintenance costs.

#### Significant Assets or Long-Term Debt

During FY 2006/2007, Long-Term Debt activity remains with the Water and Sanitary Sewer systems, with terms of 16 and 36 years remaining for repayment of the loans.

The Village's investment in capital assets for its governmental and business-type activities as of February 28 consisted of the following:

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 33,244	\$ 33,244	\$ ---	\$ ---	\$ 33,244	\$ 33,244
Infrastructure	310,441	206,276	4,653,755	4,575,541	4,964,196	4,781,817
Buildings and improvements	279,782	277,282	---	---	279,782	277,282
Equipment	142,917	142,917	137,215	137,215	280,132	280,132
Vehicles	124,277	105,777	---	---	124,277	105,777
Totals	<u>\$ 890,661</u>	<u>\$ 765,496</u>	<u>\$ 4,790,970</u>	<u>\$ 4,712,756</u>	<u>\$ 5,681,631</u>	<u>\$ 5,478,252</u>

In 2005, there was one commitment for capital expenditures by the Water Fund. This was for a new well at an estimated total cost of \$200,000. \$160,000 will be funded with a Michigan Economic Development (MEDC) Grant with a local match requirement of \$40,000 to come from the Water Fund. Funding for the project was secured from MEDC in late 2005. Engineering for this project was completed, reviewed, and approved by the Department of Environmental Quality. Construction was scheduled to begin in July 2006. Due to construction change orders that resulted from DEQ required testing performed on the test well, the project was not completed in 2006. Approximately \$30,000 of expenses were incurred in 2006.

Additional capital asset projects included pursuing funding from the Michigan Economic Development Corporation (MEDC) for a \$250,000 grant and the Van Buren County Economic Development Corporation Revolving Loan Fund (RLF) for a combined grant/loan amount of \$284,000 to fund a proposed elevated water storage tank to be constructed in the Lawrence-Crandall Business Centre. Estimated cost for this project is \$672,000. Total expenses of approximately \$30,000 were incurred for preliminary work for this project in 2006. It is anticipated additional funding will come from the Village's Water reserve fund to complete the project. The Village anticipates the funding to be in place from MEDC and the County RLF by mid Yr 2007; scheduled completion for the project would be mid Yr 2008.

#### Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Village's finances and to show the Village's accountability for the money it receives.

If you have any questions about this report or need additional information, we encourage you to contact the Village Hall at 269-674-8161 or inquire at the Village Hall, 157 N. Paw Paw Street, Lawrence, Michigan 49064 (P.O. Box 217).



**VILLAGE OF LAWRENCE, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**February 28, 2007**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 206,957	\$ 196,826	\$ 403,783	\$ 7,964
Investments and restricted cash	282,031	627,234	909,265	-
Accounts receivable	9,844	64,936	74,780	-
Taxes receivable	31,439	-	31,439	9,024
Due from other governments	-	11,660	11,660	-
Internal balances	35,025	(35,025)	-	-
Inventory	-	54,235	54,235	-
Due from primary government	-	-	-	10,056
Capital assets - net	452,983	2,839,061	3,292,044	141,558
<b>TOTAL ASSETS</b>	<b>\$ 1,018,279</b>	<b>\$ 3,758,927</b>	<b>\$ 4,777,206</b>	<b>\$ 168,602</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 58,987	\$ -	\$ 58,987	\$ -
Accrued interest payable	-	1,449	1,449	-
Customer deposits	-	6,892	6,892	-
Due to component units	10,056	-	10,056	-
Noncurrent liabilities				-
Due within one year	-	40,144	40,144	-
Due in more than one year	-	1,248,856	1,248,856	-
<b>TOTAL LIABILITIES</b>	<b>69,043</b>	<b>1,297,341</b>	<b>1,366,384</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	452,983	1,550,061	2,003,044	141,558
Restricted for:				
Streets	82,068	-	82,068	-
Unreserved	414,185	911,525	1,325,710	27,044
<b>TOTAL NET ASSETS</b>	<b>949,236</b>	<b>2,461,586</b>	<b>3,410,822</b>	<b>168,602</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,018,279</b>	<b>\$ 3,758,927</b>	<b>\$ 4,777,206</b>	<b>\$ 168,602</b>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
February 28, 2007

Functions/Programs	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Assets		
			Governmental Activities	Business-Type Activities	Totals
<b>Primary government</b>					
Governmental activities:					
General government	\$ (89,507)	\$ 3,290	\$ (86,217)	\$ -	\$ (86,217)
Public safety	(96,285)	193	(96,092)	-	(96,092)
Public works	(228,504)	4,152	(224,352)	-	(224,352)
Capital outlay	-	-	-	-	-
Depreciation (unallocated)	(25,512)	-	(25,512)	-	(25,512)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>(439,808)</b>	<b>7,635</b>	<b>(432,173)</b>	<b>-</b>	<b>(432,173)</b>
Business-type activities					
Water	(231,154)	178,641	-	(52,513)	(52,513)
Sewer	(147,709)	149,419	-	1,710	1,710
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>(378,863)</b>	<b>328,060</b>	<b>-</b>	<b>(50,803)</b>	<b>(50,803)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>(818,671)</b>	<b>335,695</b>	<b>(432,173)</b>	<b>(50,803)</b>	<b>(482,976)</b>
<b>Component Units</b>					
Downtown Development Authority	\$ (3,202)	\$ 2,283	\$ -	\$ -	\$ (919)
Local Development Finance Authority	(744)	-	-	-	(744)
<b>TOTAL COMPONENT UNITS</b>	<b>(3,946)</b>	<b>2,283</b>	<b>-</b>	<b>-</b>	<b>(1,663)</b>
<b>GENERAL REVENUES</b>					
Property taxes		\$ 208,665	\$ 208,665	\$ -	\$ 208,665
State shared revenue		225,732	225,732	-	225,732
Interest and investment income		21,765	21,765	39,758	61,523
Miscellaneous		34,689	34,689	11,660	46,349
Operating transfer in (out)		8,000	8,000	-	8,000
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>		<b>498,851</b>	<b>498,851</b>	<b>51,418</b>	<b>550,269</b>
<b>INCREASE IN NET ASSETS</b>			66,678	615	67,293
Net assets at beginning of year			882,558	2,460,971	3,343,529
<b>NET ASSETS AT END OF YEAR</b>			<b>\$ 949,236</b>	<b>\$ 2,461,586</b>	<b>\$ 3,410,822</b>
					<b>\$ 168,602</b>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS AND THE**  
**RECONCILIATION TO THE STATEMENT OF NET ASSETS**  
**February 28, 2007**

	<b>General</b>	<b>Major Street</b>	<b>Local Street</b>	<b>Total Governmental</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 112,651	\$ 32,506	\$ 61,800	\$ 206,957
Investments	282,031	-	-	282,031
Accounts receivable	9,844	-	-	9,844
Taxes receivable	15,149	10,862	5,428	31,439
Due from other funds	126,475	-	4,013	130,488
<b>TOTAL ASSETS</b>	<b>\$ 546,150</b>	<b>\$ 43,368</b>	<b>\$ 71,241</b>	<b>\$ 660,759</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 58,987	\$ -	\$ -	\$ 58,987
Due to component units	10,056	-	-	10,056
Due to other funds	62,922	25,115	7,426	95,463
<b>TOTAL LIABILITIES</b>	<b>131,965</b>	<b>25,115</b>	<b>7,426</b>	<b>164,506</b>
<b>FUND BALANCES</b>				
Reserved for street services	-	18,253	63,815	82,068
Unreserved	414,185	-	-	414,185
<b>TOTAL FUND BALANCES</b>	<b>414,185</b>	<b>18,253</b>	<b>63,815</b>	<b>496,253</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 546,150</b>	<b>\$ 43,368</b>	<b>\$ 71,241</b>	<b>\$ 660,759</b>
<b>Reconciliation of the Combined Balance Sheet - Governmental Funds to the Statement of Net Assets:</b>				
Total governmental fund balances				\$ 496,253
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
The cost of the capital assets is			890,661	
Accumulated depreciation is			(437,678)	
				<u>452,983</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>				<b>\$ 949,236</b>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended February 28, 2007**

	<b>General</b>	<b>Major Street</b>	<b>Local Street</b>	<b>Total Governmental</b>
<b>REVENUES</b>				
Property taxes	\$ 140,798	\$ 49,856	\$ 18,011	\$ 208,665
Licenses and permits	2,016	-	-	2,016
Intergovernmental revenues	125,566	74,123	26,043	225,732
Charges for service	7,635	-	-	7,635
Interest	18,010	2,402	1,353	21,765
Miscellaneous	63,932	100	-	64,032
<b>TOTAL REVENUES</b>	<b>357,957</b>	<b>126,481</b>	<b>45,407</b>	<b>529,845</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	8,000	-	-	8,000
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>365,957</b>	<b>126,481</b>	<b>45,407</b>	<b>537,845</b>
<b>EXPENDITURES</b>				
General government	111,392	-	-	111,392
Public safety	96,285	-	-	96,285
Public works	150,376	71,832	37,650	259,858
Capital outlay	1,505	106,666	-	108,171
<b>TOTAL EXPENDITURES</b>	<b>359,558</b>	<b>178,498</b>	<b>37,650</b>	<b>575,706</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>6,399</b>	<b>(52,017)</b>	<b>7,757</b>	<b>(37,861)</b>
Fund balances at beginning of year	407,786	70,270	56,058	534,114
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 414,185</b>	<b>\$ 18,253</b>	<b>\$ 63,815</b>	<b>\$ 496,253</b>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**RECONCILIATION OF THE COMBINED STATEMENTS OF REVENUES**  
**EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended February 28, 2007**

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Net change in fund balance - total governmental funds	\$	(37,861)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(25,512)	
Capital outlay	125,165	99,653

Payment of compensated absences is an expenditure in governmental funds, but not in the statement of activities (where it reduces a liability)

Change in compensated absences		4,886
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	66,678
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**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**February 28, 2007**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 94,336	\$ 102,490	\$ 196,826
Investments and restricted cash	174,017	453,217	627,234
Accounts receivable	36,498	28,438	64,936
Due from other governments	11,660	-	11,660
Due from other funds	212,804	-	212,804
Inventory	26,263	27,972	54,235
<b>TOTAL CURRENT ASSETS</b>	<u>555,578</u>	<u>612,117</u>	<u>1,167,695</u>
<b>PROPERTY AND EQUIPMENT</b>			
Water system	2,540,635	-	2,540,635
Sewer system	-	2,250,335	2,250,335
	<u>2,540,635</u>	<u>2,250,335</u>	<u>4,790,970</u>
Less accumulated depreciation	(860,172)	(1,091,737)	(1,951,909)
<b>NET PROPERTY AND EQUIPMENT</b>	<u>1,680,463</u>	<u>1,158,598</u>	<u>2,839,061</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 2,236,041</b></u>	<u><b>\$ 1,770,715</b></u>	<u><b>\$ 4,006,756</b></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued interest payable	\$ 1,449	\$ -	\$ 1,449
Customer deposits	6,892	-	6,892
Due to other funds	-	247,829	247,829
Current maturities of long-term debt	25,144	15,000	40,144
<b>TOTAL CURRENT LIABILITIES</b>	<u>33,485</u>	<u>262,829</u>	<u>296,314</u>
<b>LONG-TERM DEBT, net of current maturities</b>	1,013,856	235,000	1,248,856
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	641,463	908,598	1,550,061
Unrestricted	547,237	364,288	911,525
<b>TOTAL NET ASSETS</b>	<u>1,188,700</u>	<u>1,272,886</u>	<u>2,461,586</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 2,236,041</b></u>	<u><b>\$ 1,770,715</b></u>	<u><b>\$ 4,006,756</b></u>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - PROPRIETARY FUNDS**  
**For the Year Ended February 28, 2007**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 167,032	\$ 149,217	\$ 316,249
Equipment rental	5,366	-	5,366
Miscellaneous	3,565	50	3,615
Late charges	1,672	-	1,672
Connection charges	1,006	-	1,006
Other labor sales	-	152	152
<b>TOTAL OPERATING REVENUES</b>	<u>178,641</u>	<u>149,419</u>	<u>328,060</u>
<b>OPERATING EXPENSE</b>			
Depreciation	84,031	48,410	132,441
Contracted services	51,083	48,013	99,096
Operating labor costs	11,688	15,699	27,387
Repairs and maintenance	16,974	7,923	24,897
Equipment rental	6,795	12,253	19,048
Utilities	7,500	6,552	14,052
Miscellaneous	4,228	685	4,913
Insurance	1,435	946	2,381
Printing & publishing	450	-	450
Legal and accounting	338	-	338
Engineering	-	-	-
Supplies	(1,082)	(6,022)	(7,104)
<b>TOTAL OPERATING EXPENSES</b>	<u>183,440</u>	<u>134,459</u>	<u>317,899</u>
<b>OPERATING INCOME (LOSS)</b>	(4,799)	14,960	10,161
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Capital grant revenue	11,660	-	11,660
Interest income	35,258	4,500	39,758
Interest expense	(47,714)	(13,250)	(60,964)
<b>NET NON-OPERATING EXPENSE</b>	<u>(796)</u>	<u>(8,750)</u>	<u>(9,546)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(5,595)	6,210	615
Net assets at beginning of year	<u>1,194,295</u>	<u>1,266,676</u>	<u>2,460,971</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 1,188,700</u></u>	<u><u>\$ 1,272,886</u></u>	<u><u>\$ 2,461,586</u></u>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended February 28, 2007**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from:			
Receipts from customers	\$ 172,403	\$ 150,650	\$ 323,053
Customer security deposits	417	-	417
Total cash received	<u>172,820</u>	<u>150,650</u>	<u>323,470</u>
Cash paid for:			
Contracted services	(51,083)	(48,013)	(99,096)
Labor and equipment rental	(13,117)	(27,952)	(41,069)
Repairs and maintenance	(16,974)	(7,923)	(24,897)
Miscellaneous	(9,788)	(7,329)	(17,117)
Utilities	(7,500)	(6,552)	(14,052)
Supplies	(6,077)	(2,780)	(8,857)
Legal and accounting	(338)	-	(338)
Total cash paid	<u>(104,877)</u>	<u>(100,549)</u>	<u>(205,426)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	67,943	50,101	118,044
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Internal payments to other funds	(398,721)	387,536	(11,185)
Proceeds from loan	75,000	-	75,000
Purchase of capital assets	(60,436)	-	(60,436)
Interest paid on bond	(46,264)	(13,250)	(59,514)
Principal payments on bond	<u>(10,000)</u>	<u>(15,000)</u>	<u>(25,000)</u>
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(440,421)	359,286	(81,135)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	35,258	4,500	39,758
Redemption of investments	344,114		
Purchase of investments	<u>-</u>	<u>(376,531)</u>	<u>(376,531)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>379,372</u>	<u>(372,031)</u>	<u>7,341</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,894	37,356	44,250
Cash and cash equivalents at beginning of year	<u>87,442</u>	<u>65,134</u>	<u>152,576</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 94,336</u></u>	<u><u>\$ 102,490</u></u>	<u><u>\$ 196,826</u></u>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**PROPRIETARY FUNDS (CONTINUED)**  
**For the Year Ended February 28, 2007**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (4,799)	\$ 14,960	\$ 10,161
Adjustments to reconcile operating income (loss) to cash used in operating activities			
Depreciation	84,031	48,410	132,441
Decrease (increase) in:			-
Accounts receivable	(872)	1,230	358
Inventory	(7,159)	(8,801)	(15,960)
Other assets	-	-	-
Increase (decrease) in:			-
Accounts payable	(3,675)	(5,698)	(9,373)
Other payables	-	-	-
Customer deposits	417	-	417
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 67,943</u></u>	<u><u>\$ 50,101</u></u>	<u><u>\$ 118,044</u></u>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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***NOTE A – Summary of Significant Accounting Policies***

The accounting policies of the Village of Lawrence, Michigan (the Village) are in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village.

**Reporting Entity**

The Village was incorporated as a general law village under act of the legislature approved March 24, 1869, and operates under a Council-President form of government. The Village provides highways and streets, water and sewer, parks and recreation, public improvement, planning and zoning, and general administrative services. Fire protection and quick response services are provided by the Township of Lawrence. Effective November 2002, police protection is provided through contract from the Sheriff of Van Buren County. The financial statements of the Village do not reflect the activity of the fire department or quick response service. Educational services are provided through the local school district, which is a separate entity.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Village and its component units. In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*.

The individual component units discussed below are included in the Village's reporting entity because of their financial relationship with the Village.

**Discretely Presented Component Units**

The following component units are reported within the "component units" column in the combined financial statements. The discretely presented component units are entities that are legally separate from the Village, but for which the Village is financially accountable.

***Downtown Development Authority (DDA)***

The DDA was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of eight members, is recommended by the Village President and approved by the Village Council. In addition, the DDA's budget is subject to approval by the Village Council. The complete financial statements of the DDA are included within the Village's general purpose financial statements.

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

*Local Development Finance Authority (LDFA)*

The LDFA was created to encourage local development, prevent conditions of unemployment, promote economic growth, and authorize the creation and implementation of development and financing plans in the Village. The LDFA's governing body, which consists of seven members, is recommended by the Village President and approved by the Village Council. In addition, the LDFA's budget is subject to approval by the Village Council. The complete financial statements of the LDFA are included within the Village's general purpose financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

*Government-Wide Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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***NOTE A – Summary of Significant Accounting Policies (Continued)***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**Taxes Receivable**

The Village's tax is levied on each July 1<sup>st</sup> on the taxable valuation of property (as defined by state statutes) located in the Village as of the preceding July 31<sup>st</sup>. Uncollected taxes are purchased by the County within 120 days following the close of the fiscal year of the tax levy. Uncollectible accounts are charged back to the Village by the County.

The 2006 taxable valuation of the Village totaled \$12,466,071, on which ad valorem taxes levied consisted of 11.15 mills for operating purposes, 2.97 mills for major street services, and 1.49 mills for local street services. These amounts are recognized in the respective General and Special Revenue financial statements as taxes receivable or as tax revenue.

***Fund Based Statements***

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

Additionally, the Village reports the following major proprietary funds:

The Water Fund accounts for the activities of the water production and distribution system.

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

The Sewer Fund accounts for the activities of the sewage collection and treatment system.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer functions and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing water and sewer services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

*Deposits and Investments*

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*Receivables and Payables*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Taxes are levied on July 1st and are collected through February 28 by various local units for the Village. The local units then remit to the Village any delinquent real property taxes by June 30.

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

*Inventories and Prepaid Costs*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

*Capital Assets*

Capital assets, which include property, buildings, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Building, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	20-50 years
Building improvements	15-30 years
Water and sewer lines	40-50 years
Roads	10-30 years
Other infrastructure	5-20 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-5 years

*Long-Term Obligations*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

*Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Contributed capital is recorded in proprietary funds for capital grants or contributions from customers or other funds.

Comparative Data/Reclassifications

Comparative data is not included in the Village's financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Village's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE B - Stewardship, Compliance, and Accountability**

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the December Village Council meeting, the Village President submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1<sup>st</sup>, the budget is legally adopted by the Village Council.
4. The Village President is authorized to transfer up to \$1,000 of budgeted amounts between activities within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Major Street Fund, Local Street Fund, and Water and Sewer Fund.

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

**NOTE B - Stewardship, Compliance, and Accountability (Continued)**

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Village's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a functional basis. The approved budgets of the Village for these budgeted funds were adopted on the line item level.

The Village has one significant budget variance in the general fund for fire hydrant rent in the amount of \$5,070.

The Village has three significant budget variances in the major street fund for routine maintenance, winter maintenance, and administration in the amounts of \$7,780, \$12,426, and \$1,657, respectively.

The Village has three significant budget variances in the local street fund for routine maintenance, winter maintenance, and administration in the amounts of \$5,775, \$1,276, and \$696, respectively.

**NOTE C - Cash and Investments**

At February 28, 2007, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 206,957	\$ 196,826	\$ 403,783	\$ 7,964
Investments	282,031	627,234	909,265	---
<b>TOTAL</b>	<u>\$ 488,988</u>	<u>\$ 824,060</u>	<u>\$ 1,313,048</u>	<u>\$ 7,964</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank deposits (checking, savings and money market accounts)	\$ 403,783	\$ 7,964
Investments (certificates of deposit)	909,265	---
<b>TOTAL</b>	<u>\$ 1,313,048</u>	<u>\$ 7,964</u>



**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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**NOTE C – Cash and Investments (Continued)**

Deposits with financial institutions

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of February 28, 2007, \$1,213,320 of the Village's bank balances of \$1,313,320 was exposed to custodial credit risk because it was uninsured.

The Village believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments

State statutes and the Village's investment policy authorize the Village to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments. The Village's investments are carried at cost, which approximates fair market value. The Village's investments are in accordance with statutory authority.

The Village's investments are subject to several types of risk, which are discussed below:

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Village's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments.

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

**NOTE C – Cash and Investments (Continued)**

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Village manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

*Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government are not considered to have credit risk.

*Concentration of Credit Risk*

State statutes and the Village's investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the Village's total investments are as follows:

Issuer	Investment Type	Reported Amount
Fifth Third Bank	Certificate of deposits	\$ 909,265

**NOTE D – Capital Assets**

Capital asset activity of the Village's governmental activities was as follows:

	March 1, 2006	Additions	Disposals	February 28, 2007
Capital assets not being depreciated:				
Land	\$ 33,244	\$ ---	\$ ---	\$ 33,244
Capital assets being depreciated:				
Parking lots	60,208	---	---	60,208
Paved recreational areas	5,882	---	---	5,882
Outside construction	73,233	---	---	73,233
Buildings and improvements	204,049	---	---	204,049
Equipment	142,917	---	---	142,917
Vehicles	105,777	18,500	---	124,277

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

**NOTE D – Capital Assets (Continued)**

Infrastructure	\$ 140,186	\$ 106,665	\$ ---	\$ 246,851
	732,252	125,165	---	857,417
Less accumulated depreciation	(412,166)	(25,512)	---	(437,678)
Net capital assets being depreciated	320,086	99,653	---	419,739
Governmental activities capital total – net of accumulated depreciation	\$ 353,330	\$ 99,653	\$ ---	\$ 452,983

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

Capital asset activity of the Village's proprietary fund type activities was as follows:

	March 1, 2006	Additions	Disposals	February 28, 2007
Capital assets being depreciated:				
Water supply system	\$ 1,766,754	\$ 60,435	\$ ---	\$ 1,827,189
Water mains	641,395	---	---	641,395
Water equipment	72,051	---	---	72,051
Sewer lagoon	1,499,858	---	---	1,499,858
Sewer lines	685,313	---	---	685,313
Sewer equipment	65,164	---	---	65,164
	4,730,535	60,435	---	4,790,970
Less accumulated depreciation	(1,819,468)	(132,441)	---	(1,951,909)
Net capital assets being depreciated	\$ 2,911,067	\$ (72,006)	\$ ---	\$ 2,839,061

Capital asset activity of the Village's component units was as follows:

	March 1, 2006	Additions	Disposals	February 28, 2007
Capital assets not being depreciated:				
Land	\$ 125,000	\$ ---	\$ ---	\$ 125,000
Capital assets being depreciated:				
Light poles	9,000	8,844	---	17,844
Less accumulated depreciation	---	(1,286)	---	(1,286)
Net capital assets being depreciated	9,000	7,558	---	16,558
Capital total – net of accumulated depreciation	\$ 134,000	\$ 7,558	\$ ---	\$ 141,558

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

**NOTE E – Interfund Receivables and Payables**

The composition of interfund balances as of February 28, 2007, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Sewer Fund	\$ 99,321
	Major Street Fund	20,072
	Local Street Fund	7,082
Water Fund	General Fund	62,922
	Local Street Fund	344
	Major Street Fund	1,030
	Sewer Fund	148,508
Local Street Fund	Major Street Fund	4,013
		<u>\$ 343,292</u>

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Local Finance Development Authority	General Fund	\$ 5,591
General Fund	Downtown Development Authority	4,465
		<u>\$ 10,056</u>

**NOTE F – Long-Term Debt**

The individual fund long-term debt and other long-term obligations of the Village and the changes therein, are summarized as follows:

	Balance at March 1, 2006	Additions	Deductions	Balance at February 28, 2007
<b>PROPRIETARY FUNDS</b>				
1981 general obligation bonds in the amount of \$520,000. Principal payments are due annually on January 1, with interest at 5% payable semi-annually.	\$ 265,000	\$ ---	\$ (15,000)	\$ 250,000
2002 revenue bonds in the amount of \$1,000,000. Principal payments are due annually on January 1, with interest at 4.75% payable semi-annually.	974,000	---	(10,000)	964,000
Note payable to Economic Development Corporation of Van Buren County, Principal payments are due annually on July 26, bearing interest at 3.25%. This note payable was subsequently refinanced with a new \$284,000 note payable.	---	75,000	---	75,000
<b>TOTAL PROPRIETARY FUNDS</b>	<u>\$ 1,239,000</u>	<u>\$ 75,000</u>	<u>\$ (25,000)</u>	<u>\$ 1,289,000</u>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

**NOTE F – Long-Term Debt (Continued)**

Annual debt service requirements to maturity for debt obligations are as follows:

Payments due for years ending February 28:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ ---	\$ ---	\$ 40,144	\$ 62,955
2009	---	---	33,895	58,980
2010	---	---	41,119	57,436
2011	---	---	42,350	55,540
2012	---	---	42,589	53,589
2013	---	---	43,835	51,629
2014	---	---	44,090	49,615
2015	---	---	44,353	47,592
2016	---	---	46,625	45,560
2017	---	---	38,000	43,425
2018	---	---	38,000	41,570
2019	---	---	40,000	39,715
2020	---	---	40,000	37,765
2021	---	---	22,000	35,815
2022	---	---	22,000	34,770
2023	---	---	24,000	33,725
2024	---	---	24,000	32,585
2025	---	---	26,000	31,445
2026	---	---	26,000	30,210
2027	---	---	28,000	28,975
2028	---	---	30,000	27,645
2029	---	---	32,000	26,220
2030	---	---	32,000	24,700
2031	---	---	36,000	23,180
2032	---	---	36,000	21,470
2033	---	---	38,000	19,760
2034	---	---	38,000	17,955
2035	---	---	40,000	16,150
2036	---	---	40,000	14,250
2037	---	---	42,000	12,350
2038	---	---	42,000	10,355
2039	---	---	44,000	8,360
2040	---	---	44,000	6,270
2041	---	---	44,000	4,180
2042	---	---	44,000	2,090
<b>TOTAL PROPRIETARY FUNDS</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 1,289,000</b>	<b>\$ 1,107,831</b>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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**NOTE F – Long-Term Debt (Continued)**

1981 General Obligation Bonds

On March 11, 1981, the Village entered into a contract with the Van Buren County Board of Public Works to finance, construct, and operate an improved sanitary sewage disposal system. The system is known as Van Buren County Sanitary Sewage Disposal System #6 (Village of Lawrence). The Village's share of the project of \$520,000 was financed by the sale of bonds through the County Agency. Federal and state grants were obtained to finance the remaining cost.

The Village will lease the system until such time as the bonds are paid in full. At that time, the Village will become the owner of the system. The lease cost will include the operation, maintenance, and management of the system, and the payment of the debt service requirement. The Village has assumed responsibility for payment of the bonds, as reflected on the balance sheet of the Sewer Fund.

These bonds are general obligations of the Village and require the use of tax moneys to meet principle and interest payments if necessary.

2002 General Obligation Bonds

On July 16, 2002 the Village issued a water and sanitary sewage collection use disposal revenue bond not to exceed \$1,000,000, for the purpose of paying part of the cost of acquiring and constructing water supply improvements to serve the Village. The bond is payable in annual installments due January 1<sup>st</sup> and repayment is not expected to exceed forty years. The bonds bear interest at 4.75% per annum calculated on the daily outstanding balance. Interest is payable semiannually and is paid on January 1 and July 1.

**NOTE G – Employee Retirement and Benefit System**

Plan Description

The Village participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all full time employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at: 447 N. Canal Road, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Village's personnel policy, which does not require employees to contribute to the plan. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is zero percent of covered payroll.

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

**NOTE G – Employee Retirement and Benefit System (Continued)**

Annual Pension Costs

For the year ended February 28, 2007, the Village's annual pension cost of \$96 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal funding cost method. Significant actuarial assumptions used included an 8% investment rate of return, projected salary increases of 4.5% for base inflation, plus 0.0% to 4.5% for merit and longevity.

Three Year Trend Information

Three year trend information as of December 31, 2006 follows:

	2004	2005	2006
Annual pension cost	\$ 693	\$ 656	\$ 96
Percentage of APC contributed	100	100	100
Net pension obligation	0	0	0
Actuarial value of assets	133,943	140,414	146,778
Actuarial accrued liability	72,605	80,931	87,921
Unfunded (over funded) AAL	(61,338)	(59,483)	(58,857)
Funded ratio	184	173	167
Covered payroll	21,989	21,174	0
UAAL as a percentage of covered payroll	0	0	0

**NOTE H – Commitments and Contingencies**

Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for death and disability, hospitalization and life claims, and is a member of the Michigan Municipal League Liability and Property Pool for claims relating to liability, fire, fleet and bonds. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Village participates in the Michigan Municipal Worker's Compensation Fund risk pools for the purpose of its workers compensation coverage.

The Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts

**VILLAGE OF LAWRENCE, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended February 28, 2007**

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**NOTE H – Commitments and Contingencies (Continued)**

Grants and Contracts

The Village has been awarded a Michigan Community Development Block Grant in the amount of \$160,000 for the construction of a well. The Village anticipates their portion of the construction of the well at approximately \$40,000. These funds are to be paid from the Water Fund.

**NOTE I – Contingent Liability**

The Village has received a \$250,000 grant from the Michigan Strategic Fund for the addition of a water tower. The grant is contingent upon the creation of 25 jobs and \$250,000 in capital acquisitions by March 31, 2008. If the jobs are not created and the capital acquisitions made within the time frame allowed, the Village may be obligated to pay the \$250,000 back to the Michigan Strategic Fund.

The Village has entered into an agreement with a local company to create the 25 new permanent jobs and make the capital acquisitions by March 31, 2008. If this local company does not fulfill these requirements and the Village is obligated to pay the \$250,000 back to the Michigan Strategic Fund, the Village may have recourse with this local company.

**NOTE J – Subsequent Event**

Subsequent to the end of the year the Village entered into a contract for the construction of a water tower. The estimated cost of the project is \$672,000. The Village received a grant from the Michigan Strategic Fund in the amount of \$250,000 and a low interest loan from the Van Buren County Economic Development Corporation Revolving Loan Fund of \$284,000. Any additional funds would be paid from the water fund.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended February 28, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Fav (Unfav)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property Taxes	\$ 134,350	\$ 137,473	\$ 140,798	\$ 3,325
Licenses and permits	2,130	2,016	2,016	-
Intergovernmental revenues				
State shared revenues	125,000	124,273	124,273	-
Liquor license fees	1,400	1,293	1,293	-
	<u>126,400</u>	<u>125,566</u>	<u>125,566</u>	<u>-</u>
Charges for services				
Cable franchise fees	3,500	3,290	3,290	-
Ordinance fines	100	193	193	-
Charges for services rendered	5,500	1,574	4,152	2,578
	<u>9,100</u>	<u>5,057</u>	<u>7,635</u>	<u>2,578</u>
Interest	6,000	9,473	18,010	8,537
Miscellaneous				
Equipment rental	78,900	47,996	49,822	1,826
Refunds and rebates	2,600	5,003	8,237	3,234
Miscellaneous	3,000	5,873	5,873	-
	<u>84,500</u>	<u>58,872</u>	<u>63,932</u>	<u>5,060</u>
Other Financing Sources				
Operating transfers in	-	-	8,000	8,000
<b>TOTAL REVENUES AND OTHER FINANCING</b>	<u>\$ 362,480</u>	<u>\$ 338,457</u>	<u>\$ 365,957</u>	<u>\$ 27,500</u>
<b>EXPENDITURES</b>				
General government				
Village council				
Salaries	\$ 4,680	\$ 4,680	\$ 4,680	\$ -
Payroll taxes	360	-	-	-
Memberships and dues	1,000	948	948	-
Conferences	600	245	245	-
Miscellaneous	400	445	605	(160)
	<u>7,040</u>	<u>6,318</u>	<u>6,478</u>	<u>(160)</u>
President				
Salaries	1,560	1,560	1,560	-
Payroll taxes	120	-	-	-
Mileage	100	-	-	-
Training and Conferences	200	-	-	-
Miscellaneous	100	35	35	-
	<u>2,080</u>	<u>1,595</u>	<u>1,595</u>	<u>-</u>
Other executive activities				
Village Administrator	34,000	34,634	34,793	(159)
Contracted services	600	-	-	-
Accounting	1,000	-	-	-
Auditing	7,000	14,550	14,550	-
Budgeting	300	690	690	-
Legal	4,000	1,368	1,368	-
County computer	1,000	-	-	-
Insurance	17,500	23,133	9,430	13,703
Miscellaneous	-	2,000	2,000	-
	<u>65,400</u>	<u>76,375</u>	<u>62,831</u>	<u>13,544</u>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)**  
For the Year Ended February 28, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Fav (Unfav)
	Original	Final		
Elections				
Printing and publishing	\$ 100	\$ 997	\$ 997	\$ -
Clerk				
Salary	2,400	2,400	2,400	-
Office Salary	5,752	8,326	9,022	(696)
Deputy clerk salary	100	-	-	-
Payroll taxes	440	1,850	1,850	-
Dental insurance	720	284	284	-
Health insurance	6,625	701	701	-
Life insurance	510	299	299	-
M.E.R.S.	900	48	48	-
Vacation pay	1,710	1,538	1,538	-
Sick pay	2,443	2,820	2,820	-
Holiday pay	470	85	85	-
Postage and office supplies	1,200	1,037	1,037	-
Membership and dues	60	-	-	-
Mileage	100	-	-	-
Training and seminars	200	-	-	-
Unemployment	-	12	12	-
Office equipment maintenance	600	672	672	-
Miscellaneous	500	985	1,016	(31)
	24,730	21,057	21,784	(727)
Treasurer				
Salary	1,200	1,200	1,200	-
Payroll taxes	100	-	-	-
Postage and office supplies	200	397	397	-
Insurance and bonds	-	-	-	-
	1,500	1,597	1,597	-
Village hall and grounds				
Hall-supplies	-	257	257	-
Contracted services	1,200	3,718	3,279	439
Utilities-telephone	1,350	2,564	2,714	(150)
Utilities-heat	9,120	5,835	5,543	292
Utilities-water and sewer	600	208	625	(417)
Repairs and maintenance	1,000	4,933	564	4,369
Equipment maintenance	300	59	153	(94)
Equipment rental	150	2,283	2,283	-
Miscellaneous	100	243	692	(449)
	13,820	20,100	16,110	3,990
Total general government	114,670	128,039	111,392	16,647

**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)**  
**For the Year Ended February 28, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Fav (Unfav)
	Original	Final		
Public safety				
Police				
Contracted services	\$ 95,700	\$ 98,724	\$ 84,758	\$ 13,966
Legal services	500	337	338	(1)
Telephone	2,000	490	490	-
Miscellaneous	-	202	202	-
	98,200	99,753	85,788	13,965
Fire protection				
Fire hydrant rent	9,880	1,690	6,760	(5,070)
Inspection department				
Postage/office supplies	50	-	(75)	75
Contracted services	2,400	-	-	-
Miscellaneous	100	-	-	-
	2,550	-	(75)	75
Planning Commission				
Salaries	1,800	1,320	1,320	-
Payroll taxes	140	-	-	-
Contracted services	2,000	-	-	-
Workshops and conferences	500	130	130	-
Printing and publishing	600	764	764	-
Legal expenses	500	45	45	-
Miscellaneous expenses	50	23	23	-
	5,590	2,282	2,282	-
Crossing guard				
Salaries	2,700	1,407	1,530	(123)
Payroll taxes	210	37	-	37
Miscellaneous	-	86	-	86
	2,910	1,530	1,530	-
Total public safety	119,130	105,255	96,285	8,970
Public works				
Department of public works				
Postage and office supplies	100	187	187	-
Operating supplies	2,500	6,111	6,484	(373)
Uniforms	300	90	90	-
Contracted services	-	33,621	-	33,621
Reallocation equip repairs	21,000	7,282	25,343	(18,061)
Reallocation garage lab	15,700	10,810	23,721	(12,911)
Reallocation shop time	500	-	-	-
Utilities and telephone	1,400	2,334	2,476	(142)
Gas and oil	5,000	1,950	1,950	-
Street lights	15,000	14,720	14,720	-
Repairs and maintenance	3,500	37,123	20,816	16,307
Miscellaneous	200	1,193	4,347	(3,154)
Equipment acquisition	-	18,500	18,500	-
	65,200	133,921	118,634	15,287

**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)**  
For the Year Ended February 28, 2007

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Fav (Unfav)</b>
	<b>Original</b>	<b>Final</b>		
Sidewalks				
Contracted Services	\$ 1,500	\$ 1,570	\$ 1,821	\$ (251)
Repairs and maintenance	10,000	10,044	10,044	-
Equipment rental	750	456	457	(1)
Miscellaneous	50	-	-	-
	<u>12,300</u>	<u>12,070</u>	<u>12,322</u>	<u>(252)</u>
Sanitation				
Contracted services	5,000	3,450	3,300	150
Equipment rental	2,000	1,248	1,248	-
Miscellaneous	100	-	(160)	160
	<u>7,100</u>	<u>4,698</u>	<u>4,388</u>	<u>310</u>
Village park				
Operating supplies	400	-	-	-
Contracted services	15,500	8,772	8,903	(131)
Tree planting and trimming	800	725	725	-
Christmas décor	800	1,280	1,280	-
Repairs and maintenance	800	875	875	-
Equipment rental	6,500	2,998	2,998	-
Miscellaneous	100	256	251	5
	<u>24,900</u>	<u>14,906</u>	<u>15,032</u>	<u>(126)</u>
Library				
Contracted services	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public works	109,700	165,595	150,376	15,219
Capital outlay	<u>3,400</u>	<u>1,505</u>	<u>1,505</u>	<u>-</u>
TOTAL EXPENDITURES	<u>346,900</u>	<u>400,394</u>	<u>359,558</u>	<u>40,836</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>15,580</b>	<b>(61,937)</b>	<b>6,399</b>	<b>68,336</b>
Fund balance, beginning of year	<u>407,786</u>	<u>407,786</u>	<u>407,786</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ <u>423,366</u></b>	<b>\$ <u>345,849</u></b>	<b>\$ <u>414,185</u></b>	<b>\$ <u>68,336</u></b>

**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE - MAJOR STREET FUND**  
For the Year Ended February 28, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Fav (Unfav)
	Original	Final		
REVENUES				
Property taxes	\$ 43,100	\$ 43,457	\$ 49,856	\$ 6,399
Intergovernmental revenues	65,000	62,235	74,123	11,888
Interest	700	2,402	2,402	-
Miscellaneous	100	100	100	-
TOTAL REVENUES	108,900	108,194	126,481	18,287
EXPENDITURES				
Bridges	50,000	117,512	106,666	10,846
Routine maintenance	57,650	31,296	39,076	(7,780)
Tree trimming	2,500	2,185	2,185	-
Traffic services	1,950	1,272	1,272	-
Winter maintenance	14,000	12,265	24,691	(12,426)
Administration	5,371	2,951	4,608	(1,657)
TOTAL EXPENDITURES	131,471	167,481	178,498	(11,017)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(22,571)	(59,287)	(52,017)	(7,270)
FUND BALANCE AT BEGINNING OF YEAR	70,270	70,270	70,270	-
FUND BALANCE AT END OF YEAR	\$ 47,699	\$ 10,983	\$ 18,253	\$ 7,270

**VILLAGE OF LAWRENCE, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE - LOCAL STREET FUND**  
**For the Year Ended February 28, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Fav (Unfav)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 19,000	\$ 17,974	\$ 18,011	\$ 37
Intergovernmental revenues	20,162	19,805	26,043	6,238
Interest	560	1,137	1,353	216
Miscellaneous	-	520	-	(520)
<b>TOTAL REVENUES</b>	<b>39,722</b>	<b>39,436</b>	<b>45,407</b>	<b>5,971</b>
<b>EXPENDITURES</b>				
Road construction	-	-	(520)	520
Routine maintenance	20,900	19,103	24,878	(5,775)
Tree trimming	2,000	-	-	-
Traffic services	100	-	-	-
Winter maintenance	7,500	8,290	9,566	(1,276)
Administration	2,472	3,030	3,726	(696)
<b>TOTAL EXPENDITURES</b>	<b>32,972</b>	<b>30,423</b>	<b>37,650</b>	<b>(7,227)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>6,750</b>	<b>9,013</b>	<b>7,757</b>	<b>(1,256)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>56,058</b>	<b>56,058</b>	<b>56,058</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 62,808</b>	<b>\$ 65,071</b>	<b>\$ 63,815</b>	<b>\$ (1,256)</b>

**VILLAGE OF LAWRENCE  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended February 28, 2007**

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**FINDINGS AND RESPONSES**

<b>Reference Number</b>	<b>Audit Finding</b>
07-1	The Village does not have adequate segregation of duties.
07-2	Month-end closing procedures and reconciliations for cash, accounts receivable, due to/due from and other balance sheet accounts are not performed timely and accurately.

<b>Reference Number</b>	<b>Management Responses</b>
07-1	The Village has a small office with only two employees. To help mitigate the risk associated with the lack of segregation of duties, the Village is going to provide more supervision from their Village Administrator and Village Council.
07-2	Village management is going to receive training from outside consultants, look to integrate their accounting system, provide more oversight and supervision, and develop month-end closing procedures.



# SEBER TANS, PLC

## CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

September 21, 2007

To the Village Council  
Village of Lawrence, Michigan

In planning and performing our audit of the financial statements of Village of Lawrence for the year ended February 28, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants. Significant deficiencies involve matters coming to our attention relating to control deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls. However, we noted the following significant deficiencies that we believe to be material weaknesses.

### *Segregation of Duties*

The Clerk has the following incompatible duties (1) prepares invoices sent to water and sewer customers, (2) receives payments under single control (3) prepares and delivers the bank deposit (4) posts customer payments to the accounts receivable subsidiary ledger and the general ledger, and (5) has ability to make adjustments, including write-offs to customers' accounts. Allowing these duties to be performed by one individual increases the risk that errors or fraud may occur and go undetected. This risk is further increased because the Village accepts cash payments from customers and the timely reconciliations of accounts receivable subsidiary ledgers to the control accounts in the general ledger are not performed (as discussed in detail under the reconciliations section below).

We recommend that the Village Council closely monitor the financial activities of the Village and that the Village continue to explore ways of segregating duties and monitoring financial activities, especially in the highly critical areas. We recommend that bonding of all personnel be periodically reviewed to assure that adequate coverage is maintained. Given the small size of the Village's office performing reconciliations between the subsidiary ledger and the general ledger is a necessity.

#### *Reconciliations*

During our audit, we noted that subsidiary accounts receivable ledgers are not being reconciled to the control accounts in the general ledger. We recommend that the accounts receivable subsidiary ledgers be reconciled to the control accounts in the general ledger on a monthly basis, and that any differences be investigated and corrected in a timely manner. Additionally, we recommend that management review and initial the reconciliations to ensure propriety and completeness.

We also noted that bank reconciliations are not being performed in a timely manner. Several instances of accounts not being reconciled for several months were noted. We recommend that the bank statements be opened by management and that reconciliations be performed in a timely manner. Additionally, we recommend that management review and initial the reconciliations to ensure propriety and completeness.

We further noted that the, due to and due from, accounts are not being reconciled in a timely manner. Several bills were paid out of general fund cash for other funds and the appropriate entries in the other funds to record the payable to the general fund and the expenditure were not made. We recommend that, due to and due from, reconciliations be performed monthly and management review and initial the reconciliations to ensure propriety and completeness.

#### *Month-End Closing Procedures*

As a result of our audit we proposed more than 100 adjusting journal entries, the effect of which was to decrease current year results of operations and fund balances by approximately \$62,000. Substantially all of the entries proposed were to correct bookkeeping errors or to make required accruals and other adjustments that we believe should have been recorded by management. We believe that a review and evaluation of transactions and proper month-end closing procedures (including reconciliations) would significantly increase the accuracy and timeliness of monthly financial information.

We also noted the following significant deficiencies that are not believed to be material weaknesses.

#### *Disbursement Checks*

During our audit, we noted that at year-end, the Clerk manipulated check dates on disbursements in the accounting system in order to place the expenditures in specific periods. We recommend that the Village institute policies and controls to ensure proper cutoff.

### *Inventory Valuation*

During our audit, we noted that the inventory for both the water and the wastewater funds were being valued at the market rate. We recommend that the Village value inventory at the lower of cost or market which is the acceptable method under Generally Accepted Accounting Principles.

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These material weaknesses and other significant deficiencies were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the 2007 financial statements, and this report does not affect our report on those financial statements dated September 21, 2007. We have not considered internal control since the date of our report.

This report is intended solely for the information and use of the Village Council, management, and other within the Village and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Seber Tans, PLC". The signature is written in a cursive, flowing style.

Seber Tans, PLC